interstate regulations and "loopholes" that will allow a person determined to circumvent the restriction to complete toll calls.

GTE's intrastate tariffs currently offer long distance call blocking options and/or operator screening services in each of the twenty-eight states where GTE provides service.[23] Within each state, the availability of these blocking options are subject to the capability of the local switch.[24] These services include blocking for pay-per-call services (*e.g.*, 900 or 976), complete blocking for all 1+ calls (regardless of the jurisdictional identity of the call)[25], as well as international call blocking and operator screening services that do not allow collect or third-number-billed calls to be charged to a line. GTE does not have the capability to offer an interstate-only call blocking service.

The price for the various blocking services is $3.00 per month or less in over half of the GTE tariffs, and the price is $5.00 per month or less in more than twenty of the twenty-eight states. The specific prices and available options involve the results of state regulatory proceedings, and reflect decisions intended to address local conditions.

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[23] *See*, Attachment B for a state-by-state listing of availability of long distance blocking options and operator screening services, and the prices for those services. In most states, a customer may select a single blocking/screening option or choose to include every option, all for the same monthly price.

[24] Blocking of selected types of calls is only possible from stored program controlled switches, so these services are not ubiquitously available in each state.

[25] All of GTE's 1+ blocking services permit 1+800 calling.

The number of customers choosing toll restriction services is small, with users of pay-per-call blocking dominating the statistics.[26]

Installation charges associated with blocking and screening services display a similar variance and for similar reasons. In some states, there is no charge for installing a 1+ toll blocking service irrespective of whether it is incorporated into the customer's service arrangement at the time of initial installation or subsequently. However, most of GTE's intrastate tariffs contain a minimal installation charge for a blocking service.[27]

Toll restriction services that would use a personal access code or only allow calling during selected hours are not feasible until implementation of the Advanced Intelligent Network ("AIN"). NPRM at para. 20. Services based on the AIN will not be available for a number of years. The current proposal before the Commission envisions that AIN first undergo a two-year laboratory test and field trial to resolve numerous technical issues.[28] After that process is completed, AIN services will be introduced in locations where market demand will support the cost of its deployment.

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[26] For example, in GTE's Washington serving area, approximately eight percent of customers choose free pay-per-call blocking, and less than two percent of customers elect to pay $3.40 per month for 1+ blocking. A sampling of other states showed similar data -- approximately ten percent of customers use pay-per-call blocking, while other forms of call restriction are used by two-to-four percent of customers. *See* NPRM at para. 18 seeking "information concerning the demand for long-distance restrictions services from jurisdictions in which such service is offered."

[27] *See*, NPRM at para. 17.

[28] *See*, Public Notice DA 95-1456, "Pleading Cycle Established for Recent Filings in Intelligent Networks Proceeding," June 30, 1995.

As is typically the case with new technology, ubiquitous deployment will take some years.[29]

The NPRM (at para. 20) requests comment on the availability of alternatives to interstate blocking services. GTE has developed a tariffed item that has the practical effect of assisting customers to manage their total telephone bill. GTE's Advance Credit Management ("ACM") system is in place in several states where GTE operates.[30] The purpose of this system is to minimize the level of uncollectible revenues by preventing customers with a poor credit performance record from incurring large bills.

GTE's ACM system allows a certain level of total charges, local plus toll, to accrue each month on selected customers'accounts.[31] The customers and their respective permissible level of charges are determined by GTE based on either the customer's past GTE credit history, or by information from a commercial credit bureau.[32]

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[29] For example, Signaling System 7 ("SS7") became available in the mid-1980s, yet SS7 is not deployed in every LEC or IXC network today.

[30] ACM is in place in Alabama, Indiana, Michigan, and Virginia. GTE is in the process either of obtaining state regulatory agency permission or implementing ACM in California, Florida, Idaho, Illinois, Pennsylvania and Wisconsin. The introduction of ACM into additional states is in the planning stages.

[31] Charges for GTE local and toll services are calculated each day. Charges for IXC toll services are also calculated each day if the presubscribed IXC provides such information electronically to GTE. Since not all IXCs provide information to GTE on a daily basis, toll charge amounts are only available monthly for some IXCs. GTE is actively engaged in discussions with a number of IXCs with the goal of obtaining daily information.

[32] See, n.19 *supra.* Over eighty percent of GTE customers have excellent payment histories, and there is no impact on the customer whatsoever. The total outstanding monthly allowance for customers without an excellent payment history is set at a level that is sufficiently high so that payment that might be delinquent by only a few days is unlikely to trigger a toll block.

Alternatively, if a customer requests, the customer can choose an affordable total outstanding bill amount, assuming that amount is no greater than the amount GTE would select. Once the maximum bill amount has been reached during a month, the customer is notified that unless a minimum payment is received by a particular date, an involuntary toll block will be initiated.[33] Thus, GTE's ACM system aids the customer to manage toll costs by either paying down the outstanding balance or by letting the toll block take effect.

Another alternative that GTE offers is a service available under tariff to its IXC customers.[34] GTE's Denial/Restoral Service informs IXC customers whenever a local service customer presubscribed to the IXC has been temporarily disconnected due to non-payment.[35] This offering helps to avoid increases in the amount of long distance charge obligation by alerting the IXC to the changed status of a customer's account. If the IXC so chooses, it can -- directly or through an Operator Service Provider ("OSP") -- refuse to complete calls charged to an IXC-issued calling card for which the exchange

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[33] In the states where ACM was implemented during 1995, GTE has invoked an involuntary toll block for less than three-quarters of one percent of the customer base each month. GTE estimates that involuntary toll blocking on those customer accounts has avoided over $5 million in revenue losses associated with long distance charges.

[34] *See* GTOC Tariff FCC No. 1, Section 6.10.

[35] Disconnection is a two-step process that follows a specific procedure discussed *infra* at VI. A), a procedure that affords to the customer repeated opportunities to resolve the matter amicably. First, a temporary disconnect is enacted. This allows the customer another fifteen days grace period before permanent disconnection occurs. If payment is made during that fifteen day period, both local and toll service are restored without reconnection charges. If no payment is made, local service is disconnected on a permanent basis, meaning that reconnection entails all of the activities required of any new customer.

carrier renders a bill or refuse to allow operator-handled calls to be charged to the disconnected number.

Even if GTE were to develop an interstate-only toll blocking service along the lines proposed in the NPRM (at para. 17), there are several situations that could allow large amounts of toll charges to accrue to lines with the interstate blocking service installed. The most obvious example would be the case where a state regulatory agency did not permit intrastate toll calling capability to be disabled.

Another less obvious example involves operator handled calling. A customer in a GTE serving area whose line is 1+ toll blocked could dial 0 plus an interLATA number (*e.g.*, an area code in another state plus seven digits) and reach an OSP associated with an IXC. The customer could complain of difficulty placing the call on a "sent-paid" basis, and request the operator to complete the call. Unless that OSP subscribes to a GTE tariffed offering that would inform the operator that the originating line is toll restricted, the operator would be likely to comply with the customer's request and complete the interstate interLATA call.[36] Even if the OSP subscribed to the GTE service, an occasional call may be completed by an inattentive operator, or the operator

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[36] This service is Selective Class of Call Screening ("SCCS"). This service provides customers with a choice of originating call screening options whenever an operator service system is involved with call processing. SCCS options include: (1) bill to a calling card account; (2) bill-to-third number; (3) collect to the called number; or (4) prohibit all operator assisted sent-paid calls. These types of calls are flagged so that the operator can receive instructions on whether the call should be completed as requested. Only one IXC (a large one) currently subscribes to this GTE service offering.

could yield to emotional pleas to complete an "emergency" call.[37] Other dialing patterns that could result in toll charges even on a toll-blocked line include a customer using Directory Assistance and then asking to be connected to that number, charges associated with 800 "masquerade" calls, long distance charges from use of a calling card issued by an IXC based upon 1+800 access, and charges associated with international calls.[38]

In summary: Toll restriction services can help consumers control the amount of their telephone bills. GTE already offers a wide range of such services, and is in the process of implementing credit management procedures that assist consumers in controlling charges for long distance services. Such offerings make FCC action unnecessary. Further, an interstate-only toll restriction service would not completely prevent large toll bills in every circumstance, nor would it block several other ways in which toll calls can be made.

VI. THE COST OF DEVELOPING AN INTERSTATE-ONLY TOLL RESTRICTION SERVICE WOULD OUTWEIGH THE BENEFITS.

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[37] Another type of OSP informational service is undergoing industry development. Originating Line Number Screening ("OLNS") service will be a Line Information Data Base ("LIDB") service provided via the SS7 network. Each O+ call with a special handling indication would cause an OLNS query to be sent to the LIDB. The OLNS response will inform the OSP of any call restrictions or special handling requirements associated with the originating line. This service is expected to be offered by GTE to IXCs in 1996. The effectiveness of this service in preventing toll calls on toll blocked lines is also dependent upon its use by OSPs.

[38] The NPRM does not discuss whether blocking for international long distance calls would be included with blocking for interstate long distance calls.

The NPRM (at para. 17-18) asks for input regarding the costs and prices that would be associated with an interstate-only toll restriction service.

A. Development of a new interstate-only toll restriction service would be costly and time consuming.

None of the toll restriction services that GTE currently offers are designed to block only interstate long distance calls. Development of such a new service would be costly and time consuming because it requires extensive switching enhancements that would permit each local switch to operate on a new level of granularity. That is, existing 1+ blocking services act in an all-or-nothing fashion on calls using a 1+ dialing pattern.[39] An interstate-only service requires a switch to operate on another and lower level of detail to determine how to process each call, thereby creating higher costs and a more complex and difficult development process.

Further, each additional blocking type, if offered on a stand-alone basis that allows a customer to choose any combination of blocking services from a menu of stand-alone offerings, creates the need for each possible combination of such services to be separately analyzed in order to ensure that no conflicts will be created.

For GTE to establish an interstate-only long distance blocking service, switch administration personnel would be required to examine each of approximately 2300 stored program controlled switches in GTE's network to determine if that particular brand and version of switch (*e.g.*, the version of software and amount of memory capacity) would permit interstate-only long distance call blocking to be accomplished

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[39] Once again, 1+800 continues to fall outside this discussion.

without creating a conflict with an existing service or feature.[40] If the capability does exist for a switch, a new dialing plan would need to be designed and installed into the database used by that switch.[41] Once a suitable dialing plan were installed, each 1+ call originating over an interstate-only blocked line would require the switch to delay call processing while a search of its internal database was conducted to determine whether the dialed digits represented an interstate or intrastate call.[42]

If the capability does not exist for an individual switch, but could be provisioned with software updates and/or additions of hardware, the needed enhancements would need to be purchased and installed.[43] If the capability could not be provided with available modifications, the switch manufacturer would have to be requested to create the functionality, a process that could take several years.

GTE's mechanized service ordering and provisioning systems also would require modification to incorporate each of the new possible combinations of toll blocking services created by adding an interstate-only blocking option. This process would be necessary in each state since the blocking offerings, and combinations thereof, are not the same in each state tariff. Further, all customer contact personnel would require

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40 This means that each dialing pattern (0+, 0-, 1+intraLATA, 950+, 10XXX, etc.) that a customer could use would be compared to every possible combination of stand-alone blocking offerings available in that state tariff to ensure there would be no conflicts.

41 This assumes that implementation of a dialing plan would not cause the switch memory and/or processor capacity to be exhausted.

42 However, depending on the form and extent of numbering portability that emerges, the company's investment in a local-switch-based solution could be wasted.

43 Additional memory capacity is the most likely hardware addition requirement.

training to enable them to explain the service options available to customers in each state.

GTE cannot estimate the total magnitude of costs to develop and implement an interstate-only toll blocking service without extensive analysis. And, absent a matching estimate of demand on a central office by central office basis, a price cannot be projected.[44] Even without a precise estimate, any monies spent would be substantially wasted, since the 1+ toll restriction services currently available are more effective at controlling total toll expenditures than would be the interstate-only service proposed in the Notice.

B. Reasonable alternatives to a new interstate-only toll restriction service that already exist can help to achieve the same objective.

The Notice (at para. 17) implies the assumption that low-income households would embrace a new telephone service that did not allow interstate long-distance calling. In fact, many low-income households are comprised of recent immigrants having strong overseas connections, and consequently strong interests in calling friends and relatives, both in their country of origin and in other states. This fact was

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[44] As discussed *supra*, examining each of GTE's 2300 stored program switches to determine whether every possible combination of dialing pattern would work in harmony with each possible mixture of stand-alone blocking options is a very labor-intensive exercise. That effort only addresses the work for switch data base administration personnel. Not included is the effort needed to design, order and install additional capability to switches found lacking, nor the capital costs of any needed hardware.

clearly demonstrated during focus group sessions recently conducted by GTE with Hispanic and Asian individuals in California.[45]

The desire for the capability to make long distance calls was less clear among other ethnic groups, as many individuals expressed the need to be able to make long distance calls at times, while others displayed a strong interest in measures such as toll restriction that could help control the amount of monthly expenditures.

In GTE's experience, most low-income households make an honest attempt to pay their telephone bills. There are times when circumstances combine to cause even a conscientious customer to fail to pay the telephone bill in full. At such times, customers need the option of an alternate payment schedule. GTE provides that opportunity.

Moreover, for customers who have difficulty in managing their long distance charges, an interstate-only blocking service would not achieve the objective of completely avoiding long distance charges. Intrastate toll charges can easily accrue to an unacceptably high level. Plus, as GTE discussed *supra*, toll restriction services which are based solely on a 1+ dialing pattern can permit individuals determined to circumvent the long distance restriction the opportunity to find a loophole. Without extensive cooperation from OSPs and IXCs, exchange carrier blocking services will continue to provide less-than-perfect protection.

In summary: (i) The cost of developing an interstate-only toll blocking service is predicted to be substantial; (ii) customer demand is uncertain; and (iii) the effectiveness

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[45] *See* Attachment A for a description of GTE's recent activities in California.

of such a service in achieving the objective of managing toll charges is questionable. Under these circumstances, no federal requirement should be imposed that an interstate-only long distance blocking service must be offered, or that reports be filed regarding customer usage of such services.[46] Existing viable alternatives should be relied upon to assist consumers in controlling their telecommunications expenditures.

VII. A NEW FEDERAL REGULATION PROHIBITING DISCONNECTION OF LOCAL SERVICE FOR NONPAYMENT OF LONG DISTANCE CHARGES SHOULD NOT BE ADOPTED; INDEED, THE FCC -- IN THE INTERESTS OF INTERSTATE CUSTOMERS -- SHOULD BE VIGILANT IN PREVENTING STATE ACTION OF THIS KIND.

The Notice (at para. 11) observes that the Commonwealth of Pennsylvania prohibits disconnection of local service for nonpayment of long distance charges, and largely credits Pennsylvania's high average subscribership level to that prohibition. Accordingly, the NPRM (at para. 31) seeks comment on prohibiting exchange carriers "from interrupting or disconnecting a telephone subscriber's primary local exchange service for failure to pay interstate long-distance charges" as a mechanism that could serve to increase subscribership levels.[47]

In GTE's view, not only does the public interest dictate that the FCC establish no such mechanism; it dictates that the FCC should be vigilant in preventing states from damaging interstate service by preventing the termination of all service for a failure to pay interstate toll charges.

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[46] Should the Commission require such a service, clearly all costs associated with the service should be reflected in the price. *See* NPRM at para. 17.

[47] *See* n.15 *supra*.

A. GTE's business practices are aimed at retaining existing customers whenever prudent; a new federal regulation would be an unreasonable governmental intrusion in a normal business relationship.

GTE's business methods are aimed at retaining existing customers whenever it is consistent with prudent business practices. In addition to the ACM system described *supra,* which helps customers to manage their telecommunications expenditures and avoid a payment problem, GTE makes every reasonable effort to avoid disconnecting a customer. Specifically, when a customer's account becomes in arrears, GTE provides written notice to the customer that describes: (i) the minimum amount the customer needs to pay, (ii) the date by which payment must be received to avoid the initiation of disconnection procedures, (iii) the steps involved in the disconnection process,[48] (iv) the availability of payment plan options,[49] and (v) the toll free number to call for further details.

If the customer does contact GTE to discuss the payment problem, GTE: (1) offers to adjust the billing cycle date to match a customer's income availability; (2) allows the customer to make partial payments over a several month period;[50] (3) assists

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[48] See n.35 *supra.*

[49] With the exception of Hawaii, GTE's delinquent notices inform customers that GTE accepts commercial credit cards such as VISA, Discover and Master Card.

[50] Several states already prohibit disconnecting local service if extenuating circumstances, such as illness, have caused the payment difficulty. Late payment notifications must inform customers that disconnection can be avoided if a mutually acceptable alternative payment schedule is created and the customer adheres to that arrangement. Arkansas, Illinois, Michigan, Ohio, Pennsylvania and Wisconsin have such requirements.

in reviewing the customer's choice of services to see if discretionary services are both needed and used; and (4) discusses the possibility of using alternative services, such as collect calling, or of choosing a toll blocking service to help control future expenditures, if long distance charges have caused to the payment problem.[51]

Provided the customer shows a good faith effort to pay the balance owed and to contain future expenditures to a manageable level, GTE will not disconnect service. However, if a customer does not even bother to contact GTE to attempt to reach an accommodation, or fails to adhere to an extended payment schedule, GTE will disconnect the customer. The freedom to take this action is indispensable to operating in a business-like manner.

When a customer who has been disconnected seeks reconnection, GTE explains the process a customer needs to follow, and the charges associated with that process, *e.g.*, service application charges, installation charges, and deposit amount. Absent unique and unusual circumstances, GTE does not waive non-recurring charges for service reconnection.[52]

GTE urges the FCC to give no consideration to adopting a prohibition on disconnecting local service for failure to pay for long distance service. Consumers must

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[51] It must be noted that toll blocking may not be wanted or appropriate. For example, if a family emergency has altered the customer's normal calling pattern and caused an unusually high toll bill, toll blocking would be inappropriate because it would prevent the customer from maintaining contact during the time when communication is most needed.

[52] GTE shares Commissioner Barrett's concern (expressed during the July 13, 1995, Open Meeting) that the cost of reconnection be paid by the party creating the need for reconnection – the individual subscriber -- rather than being shifted to the general body of customers that pay their bills in a timely manner.

ultimately be responsible for their own debts. If a consumer does not make timely payment for services consumed, the carrier's leverage is denial of future service.[53] The existence of this leverage, and the resulting excellent collection history typical of the industry, work to the benefit of all customers -- including the poor -- through lower carrier rates. Actions that would increase uncollectibles, that would increase the carrying costs of day-to-day operations, would lead to increased rates for all customers -- including the poor. The beneficiaries of any such action would be those that seek the benefits of service but are not willing to pay for it.

The proposed prohibition would effectively transfer the burden of recovering the associated costs of non-paying customers to all other customers of the long distance service provider -- whether that provider is a LEC or an IXC.[54] This measure would not promote the public welfare; and it would represent an extraordinary intervention in the carriers' normal business practices. Removing an important business tool of any service provider to ensure payment for legitimate debts would operate to the disadvantage of all ratepayers.[55]

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53 None of the discussion of a customer's obligation to pay for services rendered should be construed to apply to cases of fraudulent toll activity.

54 Exchange carriers bill for their own long distance services, and sometimes bill for long distance services provided by IXCs. One important factor in an IXC's decision to use LEC billing and collection services is the ability to control uncollectible revenue amounts because of the LEC's capability to discontinue local service for non-payment of long distance charges. The resulting economic benefit is available to be passed on to the customers of IXCs.

55 Should the Commission nevertheless adopt such a prohibition, exchange carriers must be allowed to apply all available forms of toll restriction to any customer line that falls in arrears.

B. The perceived benefits of the above average subscribership in Pennsylvania must be balanced against the high cost of obtaining that penetration level.

The NPRM (at para. 17) says: "[S]ubscribership rates in Pennsylvania [offer] persuasive evidence that voluntary toll restrictions may be essential to maintaining and promoting subscribership to the telephone network." GTE's experience in Pennsylvania shows that the high percent penetration (97 percent) in Pennsylvania was achieved at very heavy cost in uncollectibles that increased by a factor of three, and in costly and burdensome procedures. Further, the Pennsylvania plan provides unintended "benefits" to parties that are devious, unscrupulous or dishonest. See, Attachment C, Declaration of Patricia Bradford in Support of GTE's Comments. Taking all facts into account, the Pennsylvania plan represents not a success but a dismal failure.[56]

Pennsylvania[57] prohibits disconnection of local service for failure to pay for long distance service.[58] Further, Pennsylvania has developed a host of regulatory

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[56] The Pennsylvania Public Utility Commission has recently begun a proceeding to review its regulations to determine if "there exist regulations and reporting requirements which have become obsolete over time and, for that reason should be amended or rescinded." *See* Advanced Notice of Proposed Rulemaking to Review and Rescind All Obsolete and Excessive Regulations, Docket No. L-950103, dated April 27, 1995, at 1. Commenters are invited to list the ten regulations "which each party perceives to be most in need of attention." *Id.* at 3. The Pennsylvania Telephone Association's comments listed regulations governing many of the procedures associated with exchange carrier interaction with customers, including credit and deposit standards, payment agreements and service suspensions, disputes over charges, and separate billing by service type as being those most in need of review. *See* Comments of the Pennsylvania Telephone Association filed August 2, 1995.

[57] *See* Chapter 64, Standards and Billing Practices for Residential Telephone Service, 52 Pa. Code Section 64.1 *et seq.*("Pa. Code 64.1" *et seq.*)

[58] NPRM at para. 11; Pa. Code 64.63.

requirements and administrative procedures that address the details needed to implement this mandate. If the FCC were to adopt a prohibition on disconnection of local service, it would also have to address an array of regulatory issues involved in implementing and administering such a prohibition.

Pennsylvania does not allow toll restriction to be imposed until (i) a customer's bill is in arrears, and (ii) the customer has been given opportunities for alternate payment arrangements, but has failed to complete those payment arrangements.[59] Thus, Pennsylvania prohibits timely company action to protect itself and drags out even the start of the process by which an effective collection effort is conducted.

Under Pennsylvania rules, customers are able to, and do, extend ostensible disputes concerning billings for months, meanwhile not making payment. The resulting environment allows individuals willing to abuse the process to evade paying for what they consume for many months. It should not be a surprise that the result is dramatically increased uncollectibles -- as discussed *infra*.

And yet, Pennsylvania permits local service disconnection for a failure to pay local service charges. Pa. Code 64.61. If this is reasonable in the case of local service

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[59] If a customer is served by a central office switch that cannot provide toll blocking, local service may be discontinued for failure to pay long distance charges. Pa. Code 64.63.

charges -- the keystone to obtaining from the carrier all other telecommunications services -- then how can it be unreasonable in the case of interstate long distance?[60]

GTE was required to incur substantial cost to implement the Pennsylvania procedures. This included the cost of activities to accommodate the Pennsylvania requirements in relation to following: (i) revising the mechanized billing system to establish separate bill categories for basic local service, toll, and non-basic services, including redesigning the bill format itself; (ii) designing and implementing procedures for applying partial payments to bills; (iii) training all customer contact personnel so that explanations could be provided to customers; and (iv) revising customer notification messages and procedures. All of this means GTE was required to devote its resources to measures that will erode its financial base. Thus, unlike unregulated firms that are free to focus on improving efficiency, GTE must dedicate the scarce time of its employees to implementing a system that will make GTE less efficient rather than more efficient.

Further, the ongoing costs of providing service in Pennsylvania have increased significantly because of adoption of these rules. For example, GTE needed to add fourteen employees to the customer billing center serving Pennsylvania in order to perform the additional functions and maintain productivity levels. The total expenses

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60 On a number of other points there is heavy-handed intervention by Pennsylvania in terms of the conduct of the LEC enterprise in normal business terms. Thus, as a practical matter, Pennsylvania pressures exchange carriers to forgo a deposit for customers qualifying for any form of public assistance. Pennsylvania tightly governs the crediting of partial payments, *i.e.*, partial payments are first credited to local basic services, then to toll services, and finally to non-basic charges. Pa. Code 64.17, 64.21. This means in still another way the collection process is skewed to the disadvantage of interstate services.

associated with these added employees exceed half a million dollars a year. Further, GTE's centralized customer billing center currently has thirty-one employees that perform collection activities for a six-state area. Thirty-two percent of those employees are now dedicated to Pennsylvania, which represents less than one-sixth of the subscriber base served by the center.

Moreover, the level of uncollectible revenues in Pennsylvania has increased threefold since the Pennsylvania regulations were adopted, a trend not present throughout GTE's other serving areas. The level of uncollectibles in Pennsylvania in recent years has averaged about double the level of GTE's overall uncollectible amount.[61] For residential customers in Pennsylvania, GTE's uncollectibles have increased from less than one percent prior to enactment of the prohibition on disconnecting local service, to between four and five percent in the most recent three years.

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[61] If GTE employees are not successful in obtaining payment, a commercial collection agency is used. However, the agency's record of success for Pennsylvania is dismal, a fact GTE attributes to its inability to disconnect local service. There simply is no motivation for a customer that does not desire to pay to honor the obligation. Further, GTE employees can recite numerous examples where customers with toll blocked lines have actively sought, and found, loopholes to allow them to continue to make toll calls. See, for example, provisions on medical emergencies, Pa. Code 64.101-108. Note also Pa. Code 64.32((1)(4)(i): "The absence of prior credit history does not, of itself, indicate an unsatisfactory credit risk and does not constitute grounds for requiring a deposit." And note Pa. Code 64.2, definition of "Delinquent account"; as well as Pa. Code 64.74, setting out detailed procedures to be followed before suspension of service. These calls are made with impunity, since customers know that they cannot be forced to pay for such calls absent court litigation, which is typically too costly for the company to pursue.

The Public Utilities Commission of Hawaii ("HI PUC") also prohibits disconnection of local service for non-payment of interstate or international charges if payment for local service is current.[62] GTE Hawaiian Telephone Company ("GTE Hawaiian Tel") is permitted to initiate an involuntary toll block on interstate and international calls dialed on a 1+ basis if a customer cannot or does not pay delinquent interstate-international toll charges. As in Pennsylvania, the inability to disconnect local service for nonpayment of interstate and/or international toll charges has resulted in increased administration expenses and has contributed to higher uncollectible revenue levels.[63] For example, delinquent account treatment procedures cannot be fully mechanized because of the need to segregate delinquent charges by service type (*i.e.*, local, intrastate toll, interstate toll, international toll) and by age of charges (*i.e.*, delinquent by 30, 60, or 90 days) to determine whether toll blocking, or suspension or termination of service is allowed.[64] As a result of these requirements, GTE Hawaiian Tel dedicates a customer service representative solely to the process of initiating toll blocking on delinquent accounts.[65]

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[62] A Declaratory Order Prohibiting the Suspension or Termination of Local Exchange Service for the Non-Payment of Interstate and/or International billings, Public Utilities Commission of the State of Hawaii, Docket No. 6349, Order No. 10010, issued November 14, 1988.

[63] Over the past year, GTE Hawaiian Tel's residential uncollectible revenue level has been 40 percent higher than GTE's overall uncollectible amount.

[64] Toll blocking may be implemented only for customer accounts that: (i) are current for local charges but refuse to pay interstate or international charges; (ii) have failed to adhere to extended payment arrangements; or (iii) have an outstanding balance for interstate or international calls on a previously disconnected account.

[65] GTE Hawaiian Tel's residential billing center consists of fifteen employees that perform activities associated with delinquent accounts for almost half a million residential accounts.

GTE Hawaiian Tel's experience is that, as in Pennsylvania, some customers know full well that GTE cannot terminate local service as long as payment is current for the local service portion of the bill, and have accordingly taken advantage of the situation and accumulated thousands of dollars of debt which they are unable or unwilling to pay.

Implementation of a nationwide prohibition on disconnection of local service would create new costs for initial implementation activities, and increase ongoing administrative expenses, in each state where an exchange carrier operates. Changes to systems and practices simply cannot be made once and then applied to activities in all states. This is the case since each state has its own set of tariffs, with unique terms, conditions and customer contact requirements. In 1988, GTE estimated the costs for its Wisconsin customers to implement procedures similar to those used in Pennsylvania at $590,000 for the first year, and approximately a half million dollars for each subsequent year.[66] GTE's Florida operation recently estimated the Florida-additional costs of a prohibition on disconnecting local service to be over three-quarters of a million dollars.[67] These increased annual costs would need to be recovered from all local service customers.

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66 Letter from Walter R. Borner, GTE's Wisconsin State Director-Regulatory Affairs, to Mr. Gary A. Evenson, Director Utility Rates Division, Public Service Commission of Wisconsin, dated November 11, 1988, submitting additional comments in Docket 05-TI-112.

67 *See* GTE Florida's Responses to Data Request on Proposed Changes to Rule 25-4.113(1)(f), filed August 11, 1995.

While it appears that GTE's Pennsylvania experience provide an example of a subset of customers abusing a well-intentioned process, there can be no real expectation of a different outcome in other states if the Commission adopts the key elements of the Pennsylvania model. GTE believes that the creation of an environment ripe for abuse will lead to a transfer of significant costs to other consumers, overshadowing any benefits.

GTE's existing business practices are entirely reasonable in that they are based upon an expectation that unless payment for services rendered is made, future services will not be provided. This is nothing more than the standard business relationship for virtually all transactions. GTE knows of no service provider that offers unlimited credit to a customer.[68] For the Commission to force exchange carriers to abandon prudent and customary business practices -- practices that are being applied routinely by its lightly regulated and unregulated competitors -- would be disastrous public policy.

Indeed, the sad history in Pennsylvania demonstrates that the real question is not whether the FCC should prohibit termination of local service for nonpayment of interstate toll; the real question is whether the FCC should act to preempt and prohibit such action by the states. In a nutshell, the interstate ratepayer is being jobbed by state action of this kind.

The FCC has the authority to preempt state action that directly interferes with the furnishing of an interstate service to the disadvantage of interstate customers. All the LEC wishes to do is to exercise the essential right of every other provider of service --

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[68] For example, credit card companies reserve the ability to limit the total amount of credit, and to revoke card authorization.

to deny future service to someone who has not paid for service already furnished. Pennsylvania's action in refusing to permit termination of local service is not merely action that intervenes indirectly or through remote consequences. Pennsylvania's action is a *per se* invasion of the interstate regulatory domain, because it interferes with the furnishing of interstate services.[69] GTE urges the FCC to recognize this reality and give prompt attention to a decisive remedy.

Should the Commission decide not to preempt state policies that prohibit disconnection of local service for nonpayment of long distance charges and lead to higher costs for interstate ratepayers, then at a minimum, it should act to prevent the large-scale and continual abuse that occurs in Pennsylvania. Here, one element of GTE's practice with regard to 900 service could be borrowed. The first time a customer denies responsibility for the 900 calling involved, GTE is quick to write off that customer's pay-per-call charges. However, if the customer (i) refuses to accept blocking and (ii) accrues high charges a second time, GTE will insist on holding the customer responsible for payment. This concept could apply here. If a customer cannot pay long distance charges, the Commission could permit local service to remain intact **so long as** (1) the customer's line is toll blocked, and (2) the customer does not continue to accrue toll charges through "loopholes" in the blocking mechanism. In this way, the customer would be held responsible for complying with a fair policy. Such action would be likely to require FCC preemption of inconsistent state action.

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[69] *See* Louisiana Public Service Comm'n v. FCC, 476 U.S. 355 (1986).

In summary: Not only does the public interest demand that the FCC not adopt a regulation preventing carriers from terminating local service for failure to pay interstate toll; it demands that the FCC should take action preventing such action on the part of the states.

VIII. EDUCATION PROGRAMS CAN BE BENEFICIAL IN INCREASING TELEPHONE SUBSCRIBERSHIP, BUT SUCH PROGRAMS MUST NOT BE THE SOLE RESPONSIBILITY OF EXCHANGE CARRIERS, NOR SHOULD EXCHANGE CARRIER SHAREHOLDERS BE REQUIRED TO FUND PROGRAMS BEYOND THOSE NORMALLY USED TO ATTRACT NEW CUSTOMERS.

GTE concurs with the NPRM's (at para. 46) conclusion that customer education programs could increase subscription levels by making non-subscribers aware of service options and public assistance mechanisms. Informing potential customers should be part of normal business activities for all local service providers and all agencies involved in providing assistance for paying for telephone service. Special programs that go beyond normal business marketing and educational activities should be funded by a federal and/or a state program.

Today, GTE offers a number of services and payment options that are useful in encouraging telephone subscribership. These include local service offerings in some states that have separate charges for usage beyond a certain number of local calls,[70] and payment options that allow charges for new installations to be spread over a period

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[70] For example, GTE offers its Florida residential customers the option of either unlimited calling flat rate service for $11.81 per month, or a limited calling service for $7.00 per month. The latter allows receipt of an unlimited number of calls, and includes 30 outgoing calls per month. The price for each outgoing call over the allowance is $0.10.

of several months. GTE's customer contact personnel also are trained to assist customers in choosing service packages that suit both their needs and their budgets, and to inform potential customers of the availability of public assistance programs such as Lifeline and Link Up and any other available programs specific to the customer's state of residence.[71]

Further, GTE employees are routinely involved in community activities and are available to discuss service options and assistance mechanisms with interested organizations representing population segments with lower than average subscribership levels.[72] Any local service provider offering services that are substitutable for traditional residential service should be encouraged to offer similar service options and engage in similar activities.

State assistance agencies should be encouraged to create and to provide brochures that describe, in general terms, the types of local service offerings that could be used to help an individual control the monthly amount of telecommunications expenditures. This literature should not use provider-specific service names, but rather

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[71] Some state regulatory agencies require exchange carrier customer contact personnel to inform potential customers of the lowest priced local service. For example, "[a]t the time of initial contact, each local exchange telecommunications company shall advise the person applying for or inquiring about residential or single line business service of the rate for the least expensive one party basic local exchange telephone service available to him unless he requests specific equipment or services." *See* Florida Administrative Code, Chapter 25-4.107(1).

[72] GTE has trained approximately 300 external contact employees to enable them to discuss public policy issues with customer groups. Each of these employees has received an "issue brief" document for a number of subjects, including Link Up and Lifeline. These documents provide background information, current status, and the GTE position.

discuss the types of blocking services that are likely to be available, *e.g.*, 900, collect, bill-to-third, and 1+ restriction services, the types of measured local service or similar forms of restricted local use services that are available in that state, and the discount calling plans typically available from IXCs. Further, the employees of the public assistance agency should be trained to be familiar with such types of services, and to actively encourage low-income individuals to avail themselves of services that help control the amount of expenditures for telecommunications services.

Should the Commission or any state regulatory agency require special educational efforts beyond those a local service provider would choose, such programs must be supported by an explicit funding mechanism.[73]

It is not enough for the Notice (at para. 47) to state that the exchange carrier (or other local service provider) is the "primary beneficiary of expanded subscribership" due to "new sources of revenue" and expect that costly educational efforts aimed at narrow customer segments will be paid for by other customers of that firm. All local service providers are for-profit businesses. Each firm will identify target customer sets and design marketing activities to capture that segment of the market. To the extent that a federal mandate requires a local service provider to go beyond the "normal" advertising and other marketing activities that firm would choose on its own and create programs aimed at specific population segments -- thus incurring costs it can have no

[73] GTE is currently involved in a very detailed educational process designed for narrow ethnic population segments in California for which explicit funding is available. *See* Attachment A for a description of this effort.